

**GOVERNMENT OF INDIA
PETROLEUM AND NATURAL GAS
LOK SABHA**

UNSTARRED QUESTION NO:2997
ANSWERED ON:18.12.2008
RESTRUCTURING OF TAX REGIME
Bellarmin Shri A.V.

Will the Minister of PETROLEUM AND NATURAL GAS be pleased to state:

- (a) whether the Government has received any proposal for restructuring of tax regime on petroleum products including elimination of ad-valorem tax;
- (b) the details of cess collected from oil produced by two oil PSUs and ONGC;
- (c) whether the total cess collected is being allocated for the purpose of investment in the petroleum sector by oil PSUs; and
- (d) if not, the amount of fund that was allocated by the Government so far for the development of the oil industry?

Answer

MINISTER OF STATE IN THE MINISTRY OF PETROLEUM AND NATURAL GAS(SHRI DINSHA PATEL)

(a) : Based on the proposals made in regard to taxation of petroleum products, the ad-valorem component of Excise Duty on unbranded Petrol and unbranded Diesel has been abolished and converted to a specific duty of Rs.14.35 and Rs.4.60 per litre respectively, with effect from 1.3.2008.

Further, Government made the following reductions in the taxes/duties with effect from 5.6.2008 :

- (i) Customs Duty on crude oil from 5% to Nil.
- (ii) Customs Duty on Petrol and Diesel from 7.5% to 2.5%.
- (iii) Excise Duty on unbranded Petrol and unbranded Diesel by Re.1/- per litre. As a result, the Excise Duty on unbranded Petrol and Diesel has come down to Rs.13.35 per litre and Rs.3.60 per litre respectively.

The Central Sales Tax on inter state sale or purchase of goods stands reduced to 2% with effect from 1.6.2008.

Sales Tax is a State subject and any restructuring of Sales Tax has to be undertaken by the concerned State Governments.

(b)to(d) : During the period 1974-75 to 2007-08, the Government has collected Rs.74,978.82 crore as cess on indigenous crude oil from Oil and Natural Gas Corporation, Oil India Limited and Directorate General of Hydrocarbons. Out of this amount, Government has provided Rs.902.40 crore to the Oil Industry Development Board (OIDB). OIDB has further provided financial assistance to the oil industry for development purposes.